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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

2008 SEP 12 P 3:07

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

In the matter of:

DOCKET NO. S-20622A-08-0476

PATRICK ALLEN ROBERTS, a married
man,

**TEMPORARY ORDER TO CEASE AND
DESIST AND NOTICE OF
OPPORTUNITY FOR HEARING**

SHERI L. KROUSE, a married woman,

MOTORS DE AMIGOS, INC., an Arizona
corporation,

ROCK'N R CAR COMPANY
ENTERPRISES, INC., an Arizona corporation
doing business as R&R Remarketing, an
Arizona registered trade name,

Respondents.

NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY

EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that Respondents PATRICK ALLEN ROBERTS, SHERI L. KROUSE, MOTORS DE AMIGOS, INC. and ROCK'N R CAR COMPANY ENTERPRISES, INC. are engaging in or are about to engage in acts and practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act ("Securities Act"), and that the public welfare requires immediate action.

Arizona Corporation Commission
DOCKETED

SEP 12 2008

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I. JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II. RESPONDENTS

2. PATRICK ALLEN ROBERTS ("ROBERTS") is an individual who, at all times relevant hereto, resided in Maricopa County, Arizona.

3. SHERI L. KROUSE ("KROUSE") is an individual who, at all times relevant, resided in Maricopa County, Arizona. ROBERTS and KROUSE are husband and wife. At all times relevant, ROBERTS and KROUSE were acting their own benefit, and for the benefit of and in furtherance of their marital community.

4. MOTORS DE AMIGOS, INC. ("MOTORS DE AMIGOS") is an Arizona corporation. MOTORS DE AMIGOS has at least one business location in Phoenix, Arizona.

5. ROCK'N R CAR COMPANY ENTERPRISES, INC. ("ROCK'N R CAR") is an Arizona corporation. ROCK'N R CAR has at least one business location in Phoenix, Arizona.

6. R&R Remarketing is an Arizona registered trade name. ROCK'N R CAR is the agent/owner of the Arizona registered trade name R&R Remarketing ("R&R").

7. KROUSE is identified in documents filed with the Arizona Corporation Commission as statutory agent, president, chief executive officer, director and shareholder of MOTORS DE AMIGOS and as president, director and shareholder of ROCK'N R CAR.

8. ROBERTS, KROUSE, MOTORS DE AMIGOS and ROCK'N CAR may be referred to collectively as "RESPONDENTS" as the context requires.

III. FACTS

9. RESPONDENTS have been and are currently offering and selling securities in the form of investment contracts and/or promissory notes since at least August 19, 2007 to the present.

10. RESPONDENTS have been and are continuing to solicit Arizona investors through

1 newspaper advertisements. One such newspaper advertisement from the August 19, 2007 edition
2 of the *Arizona Republic* stated:

3 Looking for Investor for Buy Here,
4 Pay Here Lot, 25% return on your \$\$
602-380-4892

5 11. Another more recent newspaper advertisement from the July 27, 2008 edition of the
6 *Arizona Republic* stated:

7 **Hey Investors! Finance Com-**
8 **pany Growing. 20% Return.**
9 **SECURED. Pat 602-380-4892**

10 12. On July 16, 2008, at least one potential Arizona investor ("PAI") called the
11 telephone number in the newspaper advertisement (602) 380-4892 and spoke with ROBERTS.

12 13. ROBERTS told the PAI that he owned and operated MOTORS DE AMIGOS, a
13 used car lot that purchased used cars from new car dealers. According to ROBERTS, the cars were
14 safety checked and reconditioned, if necessary, before being placed on the lot for sale to the public.

15 14. ROBERTS also told the PAI that he owned and operated a finance company, R&R,
16 which provided lending on the sale of used cars.

17 15. ROBERTS informed the PAI that he was seeking investors to create additional
18 capital totaling \$1,000,000 to expand MOTORS DE AMIGOS and R&R through the purchase of
19 additional vehicles and the opening of additional used car lots.

20 16. The articles of incorporation and other related corporate documents filed with the
21 Arizona Corporation Commission on behalf of MOTORS DE AMIGOS and ROCK'N R CAR do
22 not identify ROBERTS as an owner or officer.

23 17. ROBERTS informed the PAI that he had experience in operating used car lots,
24 similar to MOTORS DE AMIGOS, dating back at least 10-15 years.

25 18. Unbeknownst to potential investors, KROUSE, not ROBERTS, was the owner of
26 MOTORS DE AMIGOS and ROCK'N R CAR. ROBERTS and KROUSE failed to disclose the
level of experience in the used car industry, if any, possessed by KROUSE.

1 19. ROBERTS informed the PAI that his company, MOTORS DE AMIGOS, had been
2 in existence for about a year with a business portfolio of approximately \$1,200,000 and eight
3 investors who had invested nearly \$400,000.

4 20. ROBERTS explained to the PAI that he was paying returns of 20% per annum to
5 investors and was able to do so based on the fact that he was charging monthly interest of 24-29%
6 to purchasers in connection with their purchase of used vehicles from MOTORS DE AMIGOS.

7 21. ROBERTS told the PAI that any investment in MOTORS DE AMIGOS could be
8 documented using any one of various methods including: a) a contract, in the form of a promissory
9 note, between the investor and MOTORS DE AMIGOS and KROUSE; or b) a contract between
10 the investor and MOTORS DE AMIGOS secured by the business assets of MOTORS DE
11 AMIGOS; or c) by placing the investor's name on the title to vehicles sold by MOTORS DE
12 AMIGOS.

13 22. ROBERTS concluded the phone conversation with the PAI by providing the PAI
14 with the location of the MOTORS DE AMIGOS car lot where they could meet, 3707 W. Indian
15 School Rd., Phoenix, Arizona.

16 23. The PAI traveled to the location on West Indian School Road. Upon arrival, the
17 PAI was met by KROUSE who proceeded to introduce him to ROBERTS. ROBERTS and
18 KROUSE repeated to the PAI the information conveyed to the PAI during the telephone
19 conversation. In addition, ROBERTS provided additional details related to how he conducted the
20 business.

21 24. Together ROBERTS and KROUSE discussed with the PAI various documents
22 provided, by either ROBERTS or KROUSE, to the PAI including a spreadsheet of the monthly
23 disbursements for MOTORS DE AMIGOS and R&R along with a spreadsheet of total assets and
24 liabilities.

25 25. ROBERTS and KROUSE also gave the PAI a copy of a promissory note executed
26 between KROUSE, MOTORS DE AMIGOS and an individual that ROBERTS and KROUSE

1 described as an investor. ROBERTS told the PAI that the investor would provide assurance to the
2 PAI that the investor was receiving the interest payments at a rate of 20% pursuant to the terms
3 contained in the promissory note.

4 26. ROBERTS indicated to the PAI that he could draw up a contract or promissory note
5 immediately upon the PAI deciding that he wanted to invest.

6 27. ROBERTS and KROUSE failed to adequately disclose to the PAI the risks
7 associated with the investments including that the return of investors' principal investment and/or
8 promised profits was entirely dependent on the ability of RESPONDENTS to secure performing
9 loans in connection with the purchase of used cars from the MOTORS DE AMIGOS car lot.

10 28. ROBERTS and KROUSE failed to disclose to the PAI that on May 5, 2005,
11 ROBERTS had voluntarily filed bankruptcy under Chapter 13 of the United States Bankruptcy
12 Code in the U.S. Bankruptcy Court, District of Arizona in the matter entitled *In re Patrick Allen*
13 *Roberts*, case no. **2:05-bk-08032**.

14 29. The Chapter 13 plan filed by ROBERTS and confirmed on July 13, 2006 sets forth
15 that the amount required to be paid into the plan was to come almost entirely from the refinance of
16 KROUSE's Arizona residence which could potentially compromise KROUSE's ability to meet her
17 obligations as a maker on any promissory note executed between KROUSE, MOTORS DE
18 AMIGOS and an investor.

19 IV. VIOLATION OF A.R.S. § 44-1841

20 (Offer and Sale of Unregistered Securities)

21 30. Since at least August 19, 2007, RESPONDENTS have been offering and selling
22 securities, in the form of investment contracts and/or promissory notes, within or from Arizona.

23 31. The securities referred to above are not registered pursuant to Articles 6 or 7 of the
24 Securities Act.

25 32. This conduct violates A.R.S. § 44-1841.
26

V. VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

33. RESPONDENTS are offering and selling securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

34. This conduct violates A.R.S. § 44-1842.

VI. VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

35. In connection with the offer or sale of securities within or from Arizona, Respondents are, directly or indirectly: (i) employing a device, scheme, or artifice to defraud; (ii) making untrue statements of material fact or omitting to state material facts that are necessary in order to make the statements made not misleading in light of the circumstances under which they are made; or (iii) engaging in transactions, practices, or courses of business that operate or would operate as a fraud or deceit upon offerees and investors. RESPONDENTS' conduct includes, but is not limited to, the following:

a) Misrepresenting to the PAI that ROBERTS owned and operated MOTORS DE AMIGOS and ROCK'N CAR;

b) Failing to adequately disclose to the PAI the risks associated with the investments including that the return of investors' principal investment and/or promised profits was almost entirely dependent on the ability of RESPONDENTS to secure performing loans in connection with the purchase of used cars from the MOTORS DE AMIGOS car lot;

c) Failing to fully explain to the PAI how the investment would be secured and the risks associated with each potential method to be used to secure the investment;

d) Failing to disclose to the PAI that on May 5, 2005, ROBERTS had filed for protection under Chapter 13 of the United States Bankruptcy Code in the U.S. Bankruptcy Court, District of Arizona in the matter entitled *In re Patrick Allen Roberts*, case no. 2:05-bk-08032;

1 e) Failing to disclose to the PAI that the Chapter 13 plan filed by ROBERTS
2 sets forth that the amount required to be paid into the plan is due to come, almost entirely, from
3 the refinance of KROUSE's Arizona residence which could compromise KROUSE's ability to
4 meet her obligations as a maker on any promissory note executed between KROUSE, MOTORS
5 DE AMIGOS and an investor.

6 36. This conduct violates A.R.S. § 44-1991.

7 VII. TEMPORARY ORDER

8 Cease and Desist from Violating the Securities Act

9 THEREFORE, based on the above allegations, and because the Commission has determined
10 that the public welfare requires immediate action,

11 IT IS ORDERED, pursuant to A.R.S. § 44-1972(C) and A.A.C. R14-4-307, that
12 RESPONDENTS, their agents, servants, employees, successors, assigns, and those persons in active
13 concert or participation with RESPONDENTS CEASE AND DESIST from any violations of the
14 Securities Act.

15 IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in
16 effect for 180 days unless sooner vacated, modified, or made permanent by the Commission.

17 IT IS FURTHER ORDERED that this Order shall be effective immediately.

18 VIII. REQUESTED RELIEF

19 The Division requests that the Commission grant the following relief:

20 1. Order RESPONDENTS to permanently cease and desist from violating the
21 Securities Act, pursuant to A.R.S. § 44-2032;

22 2. Order RESPONDENTS to take affirmative action to correct the conditions resulting
23 from RESPONDENTS' acts, practices, or transactions, including a requirement to make restitution
24 pursuant to A.R.S. § 44-2032;

25 3. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to
26 five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

1 4. Order that the marital community of PATRICK ALLEN ROBERTS and SHERI L.
2 KROUSE be subject to any order of restitution, rescission, administrative penalties, or other
3 appropriate affirmative action pursuant to A.R.S. § 25-215; and

4 5. Order any other relief that the Commission deems appropriate.

5 IX. HEARING OPPORTUNITY

6 Each RESPONDENT may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. Rule
7 14-4-307. **If any RESPONDENT requests a hearing, the requesting respondent must also**
8 **answer this Temporary Order and Notice.** A request for hearing must be in writing and received
9 by the Commission within 20 days after service of this Temporary Order and Notice. The
10 requesting respondent must deliver or mail the request for hearing to Docket Control, Arizona
11 Corporation Commission, 1200 West Washington, Phoenix, Arizona 85007. Filing instructions may
12 be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web
13 site at www.azcc.gov/divisions/hearings/docket.asp.

14 If a request for hearing is timely made, the Commission shall schedule a hearing to begin 10
15 to 30 days from the receipt of the request unless otherwise provided by law, stipulated by the parties,
16 or ordered by the Commission. **Unless otherwise ordered by the Commission, this Temporary**
17 **Order shall remain effective from the date a hearing is requested until a decision is entered.**
18 After a hearing, the Commission may vacate, modify, or make permanent this Temporary Order,
19 with written findings of fact and conclusions of law. A permanent Order may include ordering
20 restitution, assessing administrative penalties, or other action.

21 If a request for hearing is not timely made, the Division will request that the Commission
22 make permanent this Temporary Order, with written findings of fact and conclusions of law, which
23 may include ordering restitution, assessing administrative penalties, or other relief.

24 Persons with a disability may request a reasonable accommodation such as a sign language
25 interpreter, as well as request this document in an alternative format, by contacting Linda Hogan,
26 ADA Coordinator, voice phone number 602/542-3931, e-mail lhogan@azcc.gov.

1 Requests should be made as early as possible to allow time to arrange the accommodation.

2 **X. ANSWER REQUIREMENT**

3 Pursuant to A.A.C. R14-4-305, if a RESPONDENT requests a hearing, the requesting
4 respondent must deliver or mail an Answer to this Temporary Order and Notice to Docket Control,
5 Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30
6 calendar days after the date of service of this Temporary Order and Notice. Filing instructions
7 may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet
8 web site at www.azcc.gov/divisions/hearings/docket.asp.

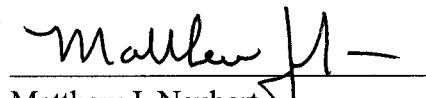
9 Additionally, the answering respondent must serve the Answer upon the Division.
10 Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-
11 delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix,
12 Arizona, 85007, addressed to William W. Black.

13 The Answer shall contain an admission or denial of each allegation in this Temporary
14 Order and Notice and the original signature of the answering respondent or the respondent's
15 attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial
16 of an allegation. An allegation not denied shall be considered admitted.

17 When the answering respondent intends in good faith to deny only a part or a qualification
18 of an allegation, the respondent shall specify that part or qualification of the allegation and shall
19 admit the remainder. Respondent waives any affirmative defense not raised in the answer.

20 The officer presiding over the hearing may grant relief from the requirement to file an
21 Answer for good cause shown.

22 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 12 day of
23 September, 2008.

24 
25 Matthew J. Neubert
26 Director of Securities

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